

State: TEXAS

Prepared by (name and company): REDACTED

Reviewed by (name and company): REDACTED

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Fee/Tax Based on Revenue	Rate	Tax apply to Telephone Business? (Y or N)	Tax apply to Main Street Business? (Y or N)	Tax imp'd on Bus. or Cust? (B OR C)	Tax apply to inter-, intra-state or both?	If Bus tax, Proh'd, Req'd, Perm'd, or Silent re: Pass Thru?	If local tax, is it filed locally? (Y or N)	# of juris. that apply (if state tax input 1)	# of returns per year per juris.	Total # of annual returns (automatic)	If local tax, do tax rates vary? (Y/N)	If local tax, do tax bases vary? (Y/N)	If local tax, do tax exemptions vary? (Y/N)	Vendor's Comp? (Y/N)	Comments/footnotes
State sales tax	6.25%	Y	Y	C	both ⁽¹⁾	n/a	n/a	1	12	12	n/a	n/a	n/a	Y	{1}
City sales tax	0.25% - 2%	Y	Y	C	intra-state	n/a	N	384	n/a		Y	N	Y	Y	{2}
County sales tax	0.5% - 1%	Y	Y	C	intra-state	n/a	N	21	n/a		Y	N	Y	Y	{2}
MTA sales tax	0.25% - 1%	Y	Y	C	intra-state	n/a	N	6	n/a		Y	N	Y	Y	{2}
CTD sales tax	0.25% - 1%	Y	Y	C	intra-state	n/a	N	2	n/a		Y	N	Y	Y	{2}
SPD sales tax	0.125% - 1%	Y	Y	C	intra-state	n/a	N	8	n/a		Y	N	Y	Y	{2}
911 tax - County	0.20%	Y	N	C	both	n/a				0	N	N	N		
911 tax - City	\$0.00 - \$0.50	Y	N	C	Per Access line	n/a					Y	N	N		
Poison Control	0.30%	Y	N	C	intra-state	n/a									
State USF	0.79% - 4.25%	Y	N	B	both	A		1	12	12				N	
PUC Gross Receipt	0.1667%{7}	Y	N	B	intra-state	A		1	1	1				N	{3}
PUC Access Line	varies-apx .05{7}	Y	N	B	Per Access line	P		1	1	1				N	
Right of Way Fees	0-12%{7}	Y	N	B	Local only	A	Y	550	4	2,200	Y	Y	N	N	
Gross Receipts Municipal	{4}									0					{4}
TIF Telecommunications Infrastructure Fund	1.25%	Y	N	B	both	A ⁽⁶⁾	n/a	1	4	4		N		N	{5}
										0					

Q	R	S	T	U	V	W	X
Property Tax	Telco Effective Rate	Telco Locally Vs. Centr. Admin'd (L OR C)	Telco FMV based on Cost (C) Cap'd Inc(l) or Mkt (M)	Main St. Business Effective Rate	Main St. Locally Vs. Centr. Admin'd (L OR C)	Main St. FMV based on Cost (C) Cap'd Inc(l) or Mkt (M)	Comments/footnotes:
Real Property	1.053%	L	C & I	1.053%	L	*VARIOUS	
Tang. Pers. Prop.	1.053%	L	C & I	1.053%	L	AS PER	
Intang. Pers. Prop.		N/A	N/A		N/A	SITUS*	

Y
Please list any general comments below that should be noted re: this state.

Footnotes:
{1} Sales tax applies to interstate calls which are both "originated and billed" within Texas.
{2} State law limits the collection of local sales and use tax to *no more than 2 percent* for a total sales tax rate of 8 1/4 percent. Filed on state sales tax return.
{3} Intrastate rates governed by PUC only
{4} Same as ROW fees
{5} Law permits pass-thru, however, Telcos prohibited from pass-thru because of rate restrictions.
{6} Telco property values are based upon business value, local assessments based on asset value.
{7} TX 911 Wireless service fee is \$.50 per subscriber. This is a monthly filing per entity.
TX 911 Equalization surcharge (.3%) / Poison Control Surcharge (.3%) is imposed on Intrastate LD for wireless. This is a quarterly filing per entity.
TX PUC Gross Receipt do not apply to wireless.
TX PUC Access Line do not apply to wireless.
TX Right of Way Fees do not apply to wireless.

State: South Dakota

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Sales & Use Tax	4.00%	Y	Y	B	Intra-state	Perm'd	N/A	1	12	12	N/A	N/A	N/A	N	City & State S&U Tax are filed
Sales & Use Tax - City	0 to 2%	Y	Y	B	Intra-state	Perm'd	N	311	0	0	Y	N	N	N	together. Only 190 cities impose a sales&use tax
PUC Fee	0.15%	Y	N	B	Intra-state	Silent	N/A	1	1	1	N/A	N/A	N/A	N	
911 Excise Tax	.75 per line	Y	N	C	N/A	Req'd	Y	66	4	264	N	N	N	Y	1% vendor compensation
Telephone Relay Svc	.15 per line	Y	N	C	N/A	Req'd	N	1	6	6	N/A	N/A	N/A	Y	1% or \$100.00 compensation

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Property Tax							ments/footnotes:
Real Property	2.32%	C	C, I, M	2.32%	L	C, I, M	Centrally assessed property value is based on business
Tang. Pers. Prop.	2.32%	C	C, I, M	NA	NA		value and locally assessed
Intang. Pers. Prop.	2.32%	C	C, I, M	NA	NA		is based on real estate value.

Y
Please list any general comments below that should be noted re: this state.

State: Tennessee

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State sales tax	6.00%	Y	Y	C	B	A	N	0	0	0	N/A	N/A	N/A	Y	State level sales tax included on all returns. See local sales tax for total # of returns.
911 tax	\$2 Max	Y	N	C	N/A	S	Y	93	12	1,116	Y	N	N	Y	Total number of jurisdictions obtained from Vertex.
PUC Fee	0.15%	Y	N	B	INTRA	S	N/A	1	1	1	N/A	N/A	N/A	N	
Memphis Franchise	5.00%	Y	N	B	INTRA	A	Y	1	4	4	N	N	N	N	
Maryville Franchise	0.50%	Y	N	B	LOCAL	A	Y	1	1	1	N	N	N	N	
Local Sales Tax	0%-2.75%	Y	Y	C	B	A	Y	313	12	3,756	Y	N	N	Y	
										0					
										0					
										0					
										0					
										0					
										0					
										0					

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Property Tax							
Real Property	3.58%	C	C,I,M	1.95%	L	C,I,M	See Footnote 1.
Tang. Pers. Prop.	3.58%	C	C,I,M	1.95%	L	C	See Footnote 1.
Intang. Pers. Prop.	3.58%	C	C,I,M	N/A	N/A	N/A	

Y
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1. Wireless - Wireless companies are centrally assessed at an blended assessment ratio of 32%.

State: Utah

Prepared by (name and company): REDACTED

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State Sales Tax	4.75%	Y	Y	C	intra-state	Req'd	NA	1	12	12	NA	NA	NA	Y	Vendor comp of 1.5%
Local Sales Tax	0.250-3%	Y	Y	C	intra-state	Req'd	N	290	12 (5)	12	Y	N	N	Y	Vendor comp of 1%
USF Surcharge	1.00%	Y	N	B	intra-state	Y	NA	1	12	12	NA	NA	NA	N	
DEAF Surcharge (TDD)	\$.18 per line per month	Y	N	C	intra-state	Y	NA	1	12	12	NA	NA	NA	N	
PUC Tax	0.30%	Y	N	B	intra-state	NA	NA	1	1	1	NA	NA	NA	N	
911/Poison Control Surcharge (2)	\$0.07 per line per month	Y	N	B	intra-state	Y	NA	1	12	12	NA	NA	NA	N	
911 Tax (3) City/County	\$.50-\$.53 per line	Y	N	C	intra-state	Y	Y	33	12	396	Y	N	N	N	
Franchise/License/Agreement/ Utility	Capped @ 6%.	Y	N	B	intra-state	Perm'd	Y	114	12	1,368	Y	Y	Y	N	23 cities impose flat fee instead of % of revenue.

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Property Tax							
Real Property	1.1-1.2%	C	CIM	1.1-1.2%	Locally	CIM	
Tang. Pers. Prop.	1.1-1.2%	C	CIM	1.1-1.2%	Locally	C	
Intang. Pers. Prop. (4)	1.1-1.2%	C	CIM			NA	

Y

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(1) A fund is established to provide telecommunication services to deaf, hearing, or speech impaired individuals. This fund is supported by a surcharge, not to exceed \$0.25.

(2) An emergency service telephone charge of \$0.07 per month is imposed on each radio communications access line (Intrastate and Wireless) in order to pay the costs for the University of Utah Poison Control Center.

(3) 911 Tax may be wireless or wireline.

(4) Intangibles are exempt by the Utah State Constitution. However, in practice intangibles are taxed at the state level.

(5) A separate resort community sales tax return is required to be filed monthly with the state.

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Property Tax	2.37%	Locally	cost	1.00%	Locally	cost	rates vary by juris. Same
Real Property	2.37%	Central (2)	cost	1.00%	Locally	cost	for telecom or main
Tang. Pers. Prop.							street.
Intang. Pers. Prop.							

(2) Companies owning or operating a telephone line or business must pay a tax equal to 2.37% of the NBV of their personal property. However, if their gross operating revenues within the state from the preceding taxable year are less than \$50 million, then they are subject to an alternative tax under Title 32 Section 8522. Main street businesses file locally and some towns in Vermont no longer impose a tax on tangible personal property at the local level, or are currently phasing it out.

State Washington

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Reviewed by (name and company): REDACTED

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Sales Tax - STATE	6.50%	Y	Y	C	Both	N/A	N/A	1	12	12	N/A	N/A	N/A	N	Residential wireline is exempt from sales tax.
Sales Tax - RTA	0.04%	Y	Y	C	Both	N/A	N/A	1	12	12	N/A	N/A	N/A	N	Regional Transit Authority. There are multiple RTA jurisdictions but all are filed on the Combined Excise Tax Return.
Sales Tax - Local	2.10%	Y	Y	C	Both	N/A	N	325	12	12	Y	N	N	N	See attached rate schedule
B&O State	0.471%	Y	Y	B	Both	Perm'd	N/A	1	12	12	N/A	N/A	N/A	N	.471% retail rate, .1829% service rate, .506 wholesale rate.
PUC Fee	0.20%	Y	N	B	Both	Proh'd,	N/A	1	1	1	N/A	N/A	N/A	N	Not applied to wireless
License Fee/tax	Varies	Y	Y	B	N/A	Varies, most Perm'd	Y	69	1	69	Y	Y	N/A	N/A	Can be flat fee, employee, location, gross revenue, based. Majority are flat fees. This does not represent the one time fees, only the renewals.
Gross Receipts	5.00%	Y	Y	B	Both	Perm'd	Y	1	4	4	N/A	N/A	N/A	N/A	Lummi Indian Reservation, Pass thru tax subject to tax.
B&O Local	0.215%	Y	Y	B	Both	Silent re:	Y	117	Varies	468	Y	Y	Y	N	Most of our B&O taxes, other than telecomm occupation, are quarterly up to 282 jurisdictions possible, not all impose
B&O Local (telecomm)	6.383%	Y	N	B	intra-	Perm'd(1)	Y	282 possible(2)	Varies, mostly 12		Y	Y	N	N	Due to compounding, the effective rate of the statutory rate of 6% is 6.383%.
911 Excise Tax	.07 per line	Y	N	B	intra-state(?)	N/A	Y	1	12	12	N/A	N/A	N/A	N	
911 Excies Tax-Cnty	50/wireline, 25/wireless	Y	N	B		Req'd,	Y	40	12	480	Y	N	N	N	King County rate is less, at .35 per line. Cellular customer cap at .25 per line.
Telephone Relay Svc	.15 per line	Y	N	B	intra-state	N/A	Y	1	12	12	N/A	N/A	N/A	N	Not applied to wireless
Telephone Assist. Plan	.13 per line	Y	N	B	intra-state	N/A	Y	1	12	12	N/A	N/A	N/A	N	Not applied to wireless

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Property Tax							
Real Property	1.36%	C	C, I, M	1.36%	L	C,I,M	Centrally assessed property
Tang. Pers. Prop.	1.36%	C	C, I, M	1.36%	L	C,I,M	value is based on business
Intang. Pers. Prop.			N/A			N/A	value and locally assessed
							is based on real/pp asset value.

Y
Please list any general comments below that should be noted re: this state.
See WAC 458-20-245 for definitions of "competitive telephone service" and "network telephone service". These create different results from most states.
For example, no retail sales tax is imposed on residential "network telephone service". Residential, however, is not clearly defined. Application to wireless uncertain.

- (1) Language usually addresses if tax applies to itself if passed through. Many larger cities do apply it to itself so eff. rate is 6.383%
(2) As of 1/1/99 there were 282 incorporated cities which could impose B&O or the telecomm occupation tax.

Washington, DC

REDACTED

REDACTED

[illegible]

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Real Property	2.15%	L	C	2.15%	L	C	
Tang. Pers. Prop.	3.40%	L	C	3.40%	L	C	
Intang. Pers. Prop.	0%	n/a	n/a	n/a	n/a	n/a	

Footnotes:
(1) Applies only to nonresidential customers

State: Wisconsin

Prepared by (name and company): REDACTED

Reviewed by (name and company): REDACTED

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State Sales Tax	5%	Y	Y	B	Both	A	N/A	1	12	12	Y	N	N	Y	
County sales tax (phone)	0-.6%	Y	Y	B	n/a	A	N/A	72	12	12	Y	N	N	Y	filed with state tax- on retail sales of phones only
911 Tax (wired per month)	\$.07-\$.83	Y	N	B	n/a	A	n/a	54	4	216	Y	N	N		Fees based on access lines
USF/PUC Fee	assessed	Y	N	B	Intra	P	N/A	1	1	1	N/A	N/A	N/A	N	Cost of PUC allocated
License Fee/GRT	5.77%	Y	N	B	Intra	A	N/A	1	1	1	N/A	N/A	N/A	N	Phased out in 2000; property tax base after 2000
Income/Franchise Tax	7.90%	Y	Y	B	both	P	n/a	1	1	1	n/a	n/a	n/a	N	
Franchise/ROW Fee	(1)														

1) Statute allows for the recovery of reasonable administrative costs.

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Real Property	2.2216% ⁽¹⁾	C	⁽¹⁾	2.2216% ⁽²⁾	L	⁽¹⁾	TELCOs & main street are essentially taxed the same
Tang. Pers. Prop.	2.2216% ⁽²⁾	C	C ⁽³⁾	2.2216% ⁽²⁾	L	C ⁽³⁾	TELCOs & main street are essentially taxed the same
Intang. Pers. Prop.		N/A	N/A		N/A	N/A	

1) In theory property appraisal practices require the consideration of all three method's of valuation to determine FMV.
2) These rates are the state @ 100% assessment ratio TELCOs & main street use the same local rates.
3) while the cost method is used, FMV of property is the determining factor and any acceptable method may be used.

State: West Virginia

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State sales tax	6.00%	y	y	C	Both			1	12	12				n	competitive services
911 tax	LEC Rate .55 to 2.65/line; Wireless Rate = .94/line	y	n	c	Per Line			48	12	12	Yes	No	No	y	For LECs, local 911 applied at various rates per locality.
State USF										0					
PUC Fee	0.32%	y	n	b	Intra-state	Silent		1	1	1					
License Fee/tax										0					Does not apply to wireless services
Franchise/ROW fees	N/A									0					Does not apply to wireless services
Gross Receipts	4.00%	y	n	c	both	Silent		1	1	1					Only applies to Non-Competitive services
Local Excise	<or = 2%	y	n	c	intra-state		y			0	y	n	n	n	noncomp. services
										0					
										0					
										0					
										0					
										0					
										0					
										0					

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Property Tax							
Real Property	1.40%	c	cost+inc & Mkt	1-1.5%	Locally	market	
Tang. Pers. Prop.	1.40%	c	cost+inc & Mkt	1-1.5%	Locally	cost	
Intang. Pers. Prop.	1.70%	c	cost & Mkt	0.00%			

Y
Please list any general comments below that should be noted re: this state.

Wyoming

Prepare By: REDACTED
Review By: REDACTED

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
		Tax Apply to Telephone Business? (Y or N)	Tax Apply to Main Street Business? (Y or N)	Tax imposed on Business or Customer? (B or C)	Tax apply to Inter-, Intra-state or both? (Inter, intra or both)	If biz tax, does law prohibit, require, allow or is it a silent pass thru? (P, R, A or S)	If local tax, is it filed locally? (Y or N)	Total # of jurisdictions that apply tax (Enter 1 if state tax)	Total # of returns per year per jurisdiction	Total # of annual returns (formula)	If local tax, do tax rates vary? (Y or N)	If local tax, do tax bases vary? (Y or N)	If local tax, do tax exemptions vary? (Y or N)	Are vendor's compensated for collecting tax/fee? (Y or N)	Comments
Fee/Tax Based on Revenue	Rate														
Sales/Use	4.00%	Y	Y	C	Intra	R	N/A			0	N/A	N/A	N/A		
State TRS	\$.07 per line ⁽¹⁾	Y	N				N/A			0	N/A	N/A	N/A	Y ⁽²⁾	
Local Sales/use	0.0% - 2.0%	Y	Y	C	Intra	R	N	24	Note 3	Note 3	Y	N	N	N	
Universal Service Fund	2.00%	Y	N	B	Intra	A	N/A	1		0					
PUC Gross Receipts	.002373%	Y	N	B	Intra	P	N/A	1		0					

1 = Currently \$.07 per line (state authorizes TRS up to \$.15 per line).

2 = 1.0% vendor's compensation (not capped).

3= Frequency of filing depends on volume of taxes collected.

	Q	R	S	T	U	V	W	X
	Telco Effective Rate	Telco Locally Vs. Centr. Admin'd (L OR C)	Telco FMV based on Cost (C) Cap'd Inc(I) or Mkt (M)	Main St. Business Effective Rate	Main St. Locally Vs. Centr. Admin'd (L OR C)	Main St. FMV based on Cost (C) Cap'd Inc(I) or Mkt (M)	Comments/footnotes:	
Property Tax								
Real Property	0.72%	C	C, M, I	0.59%	L	C, M, I	Centrally assessed property	
Tang. Pers. Prop.	0.72%	C	C, M, I	0.59%	L	C, M, I	value is based on business	
Intang. Pers. Prop.	0.72%	C	C, M, I	N/A			value and locally assessed	
							is based on real/pp asset value.	

APPENDIX B

CHARTS

TOP TEN LARGEST (MOST POPULOUS) STATES

Comparison of Number of Local Taxes

Comparison of Number of State Taxes

Comparison of Total Number of Taxes

Comparison of Local Tax Rates

Comparison of State Tax Rates

Comparison of Total Tax Rates

Comparison of Number of Local Tax Bases

Comparison of Number of State Tax Bases

Comparison of Total Number of Tax Bases

Comparison of Annual Number of Returns

Comparison of Total Number of Taxing Jurisdictions

Comparison of Real Property Effective Tax Rate

Comparison of Tangible Personal Property Effective Tax Rate

Comparison of Effective Tax Rate Applied to Intangible Values

Local Taxes

State	Gen. Bus.	Telco
CA	1	4
FL	1	4
GA	1	4
IL	3	5
MI	0	0
NJ	0	0
NY	1	4
OH	0	0
PA	2	3
TX	1	8

Average

1	3
---	---

Total

10	32
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State Taxes

State	Gen. Bus.	Telco
CA	2	8
FL	1	5
GA	1	4
IL	1	3
MI	1	1
NJ	1	2
NY	2	7
OH	1	2
PA	1	4
TX	1	5

1	4
---	---

12	41
----	----

Total # Taxes

State	Gen. Bus.	Telco
CA	3	12
FL	2	9
GA	2	8
IL	4	8
MI	1	1
NJ	1	2
NY	3	11
OH	1	2
PA	3	7
TX	2	13

2	7
---	---

22	73
----	----

Total Local Tax Rate

State	Gen. Bus.	Telco
CA	2.62%	11.12%
FL	1.50%	14.30%
GA	3.00%	14.40%
IL	2.50%	12.00%
MI	0.00%	0.00%
NJ	0.00%	0.00%
NY	4.50%	11.95%
OH	0.00%	0.00%
PA	1.50%	10.12%
TX	2.00%	16.36%

1.76%	9.03%
-------	-------

Total State Tax Rate

State	Gen. Bus.	Telco
CA	6.00%	4.87%
FL	6.00%	10.17%
GA	4.00%	4.58%
IL	6.25%	7.51%
MI	6.00%	6.00%
NJ	6.00%	6.25%
NY	4.00%	9.38%
OH	5.00%	9.75%
PA	6.00%	11.34%
TX	6.25%	12.20%

5.55%	8.21%
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Total Tax Rate

State	Gen. Bus.	Telco
CA	8.62%	15.99%
FL	7.50%	24.47%
GA	7.00%	18.98%
IL	8.75%	19.51%
MI	6.00%	6.00%
NJ	6.00%	6.25%
NY	8.50%	21.33%
OH	5.00%	9.75%
PA	7.50%	21.46%
TX	8.25%	28.56%

7.31%	17.23%
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Local Tax Bases

State	Gen. Bus.	Telco
CA	1	15
FL	1	5
GA	1	4
IL	2	2
MI	0	0
NJ	0	0
NY	1	1
OH	0	0
PA	2	3
TX	1	4

1	3
---	---

9	34
---	----

State Tax Bases

State	Gen. Bus.	Telco
CA	1	1
FL	1	5
GA	1	4
IL	1	2
MI	1	1
NJ	1	2
NY	1	1
OH	1	2
PA	1	4
TX	1	5

1	3
---	---

10	27
----	----

Total Tax Bases

State	Gen. Bus.	Telco
CA	2	16
FL	2	10
GA	2	8
IL	3	4
MI	1	1
NJ	1	2
NY	2	2
OH	1	2
PA	3	7
TX	2	9

2	6
---	---

19	61
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Total # Returns

State	Gen. Bus.	Telco
CA	5	1,857
FL	12	4,731
GA	12	1,945
IL	12	9,629
MI	12	16
NJ	12	24
NY	13	3,185
OH	12	14
PA	12	939
TX	12	2,230

11	2,457
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114	24,570
-----	--------

Total # Taxing Juris.

State	Gen. Bus.	Telco
CA	60	221
FL	51	370
GA	160	481
IL	108	803
MI	1	1
NJ	1	1
NY	85	377
OH	94	1
PA	751	751
TX	1,363	966

267	397
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2,674	3,972
-------	-------

Real Prop Eff Rate

State	Gen. Bus.	Telco
CA	1.10%	1.10%
FL	2.40%	2.40%
GA	1.47%	1.47%
IL	2.60%	2.60%
MI	2.52%	2.52%
NJ	4.00%	4.00%
NY	3.60%	3.60%
OH	0.93%	1.86%
PA	3.10%	3.00%
TX	1.05%	1.05%

2.28%	2.36%
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Tangible Prop Eff Rate

State	Gen. Bus.	Telco
CA	0.00%	0.00%
FL	2.40%	2.40%
GA	1.47%	1.47%
IL	0.00%	0.00%
MI	2.52%	2.52%
NJ	0.00%	2.80%
NY	0.00%	0.00%
OH	1.30%	2.60%
PA	0.00%	0.00%
TX	1.05%	1.05%

0.87%	1.28%
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Eff. Tax Rate on Intang Value

State	Gen. Bus.	Telco
CA	0.00%	0.00%
FL	0.20%	0.20%
GA	0.00%	0.00%
IL	0.00%	0.00%
MI	0.00%	2.52%
NJ	0.00%	0.00%
NY	0.00%	0.00%
OH	0.00%	0.00%
PA	0.00%	0.00%
TX	0.00%	0.00%

0.02%	0.27%
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APPENDIX C

GRAPHS

TOP TEN STATES WITH HIGHEST APPLICABLE BURDENS ON TELECOMMUNICATIONS & TOP TEN LARGEST (MOST POPULOUS) STATES

Comparison of Number of Local Taxes

Comparison of Number of State Taxes

Comparison of Total Number of Taxes

Comparison of Local Tax Rates

Comparison of State Tax Rates

Comparison of Total Tax Rates

Comparison of Total Tax Rates (including Federal)

Comparison of Number of Local Tax Bases

Comparison of Number of State Tax Bases

Comparison of Total Number of Tax Bases

Comparison of Annual Number of Returns

Comparison of Total Number of Taxing Jurisdictions

Comparison of Real Property Effective Tax Rate

Comparison of Tangible Personal Property Effective Tax Rate

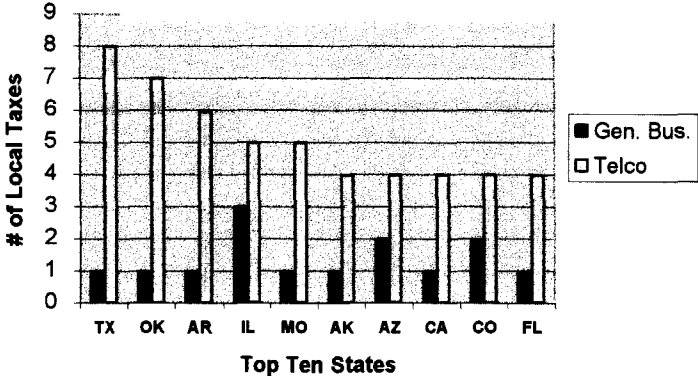
Comparison of Effective Tax Rate Applied to Intangible Values

Incremental Rate Applied to Telecommunications Real Property

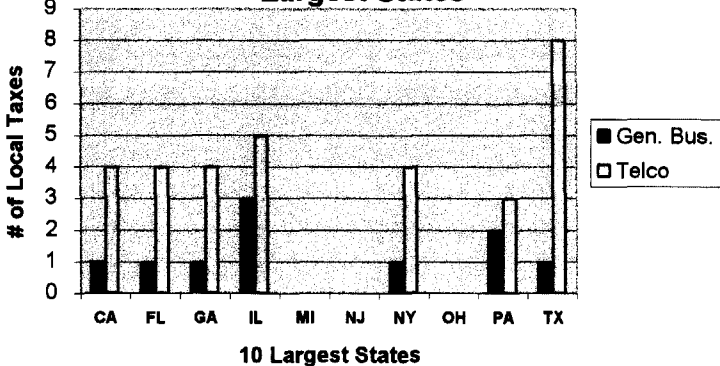
Incremental Rate Applied to Telecommunications Tangible Personal Property

Incremental Rate Applied to Telecommunications Intangible Value

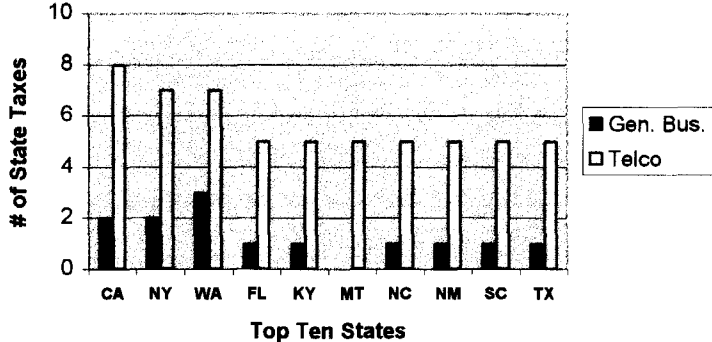
Comparison of # of Local Taxes



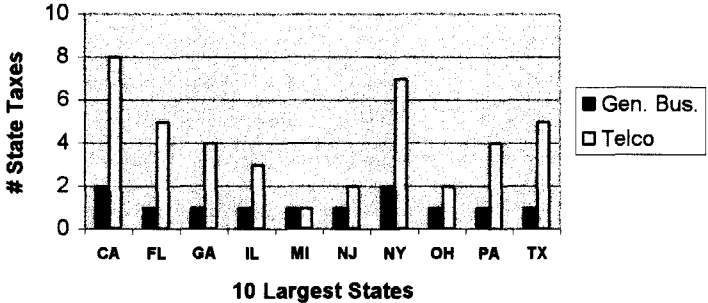
Comparison of # of Local Taxes in Ten Largest States



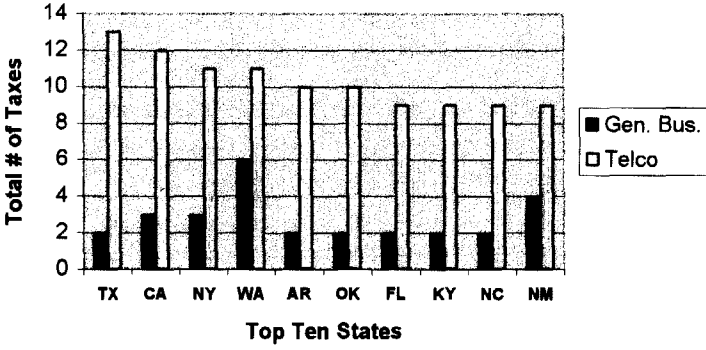
Comparison of # State Taxes



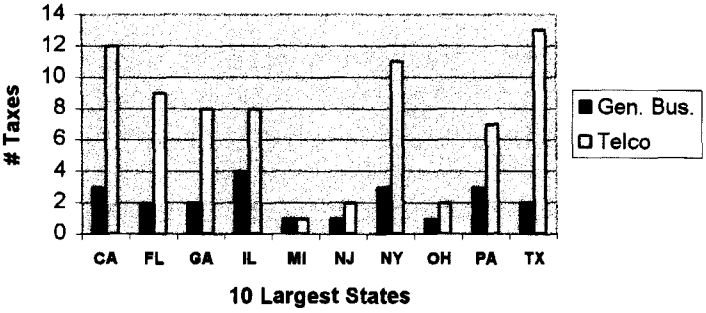
Comparison of # State Taxes in Ten Largest States



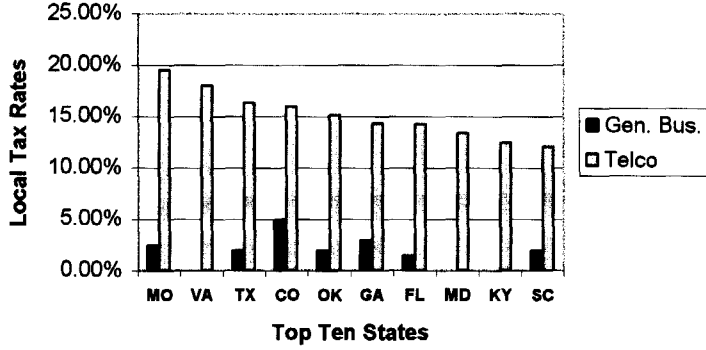
Comparison of Total # of Taxes



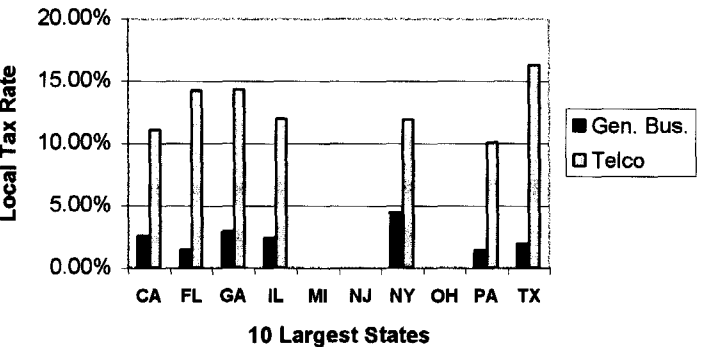
Comparison of Total # Taxes in Ten Largest States



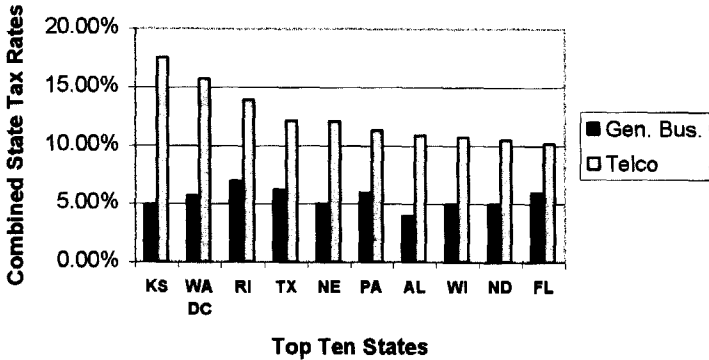
Comparison of Local Tax Rates



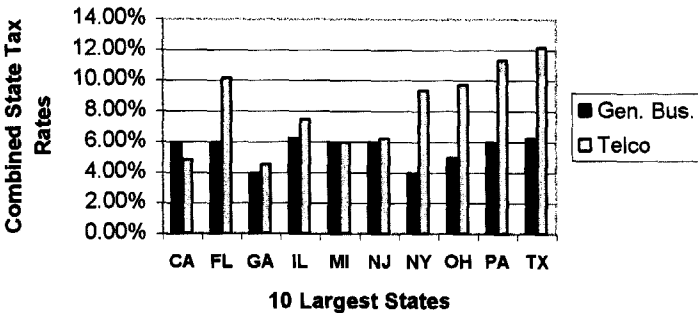
Comparison of Total Local Tax Rates in Ten Largest States



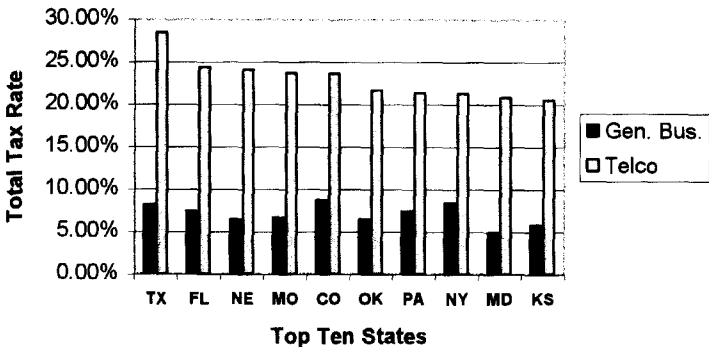
Comparison of State Tax Rates



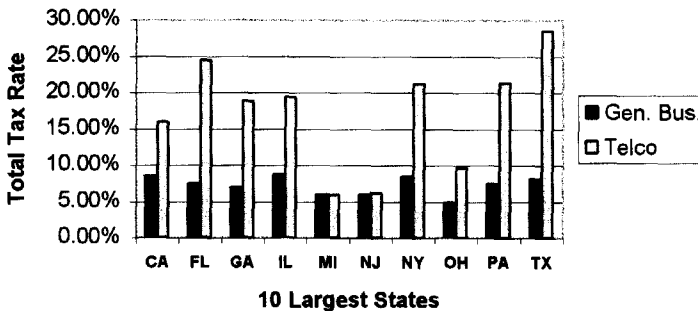
Comparison of State Tax Rates in Ten Largest States



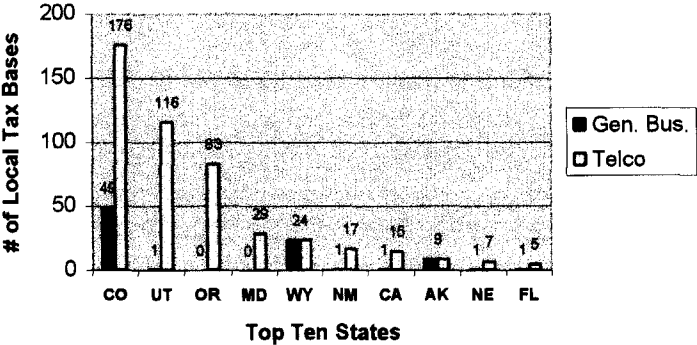
Comparison of Total Tax Rates



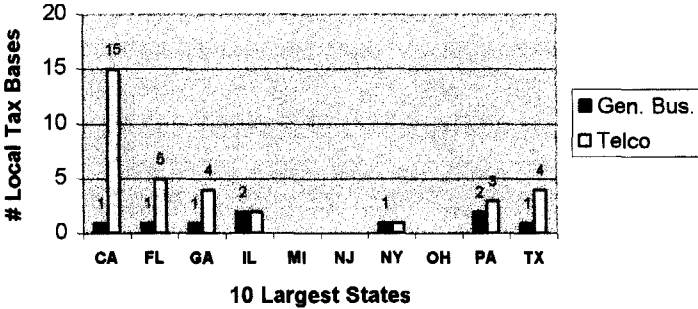
Comparison of Total Tax Rates in Ten Largest States



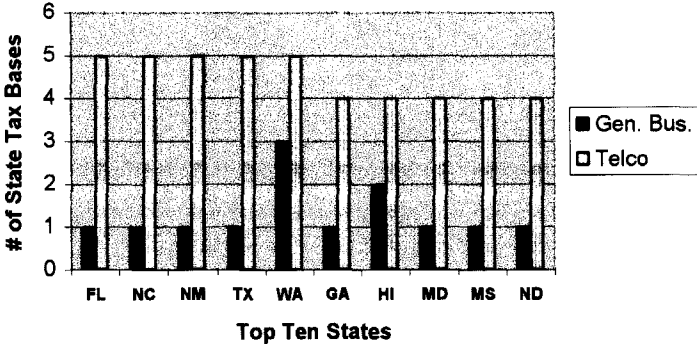
Comparison of # of Local Tax Bases



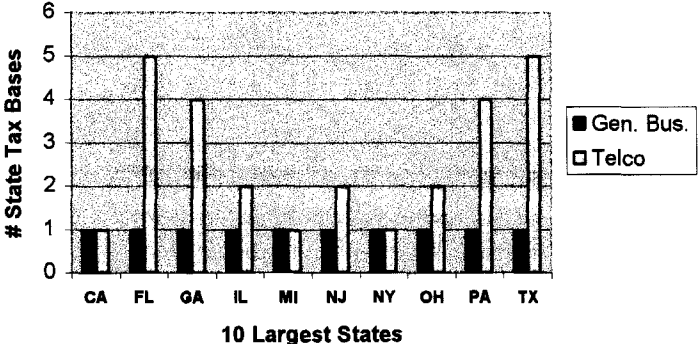
Comparison of # Local Tax Bases in Ten Largest States



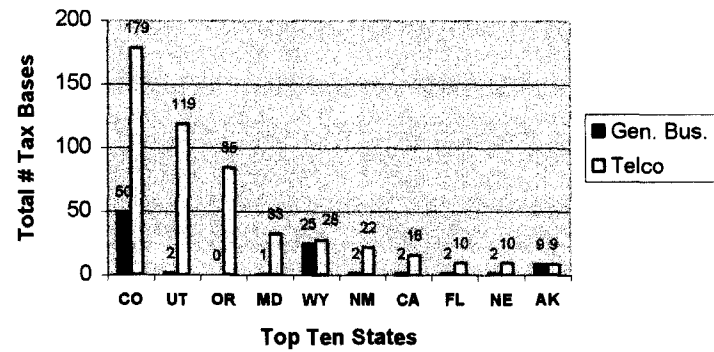
Comparison of # of State Tax Bases



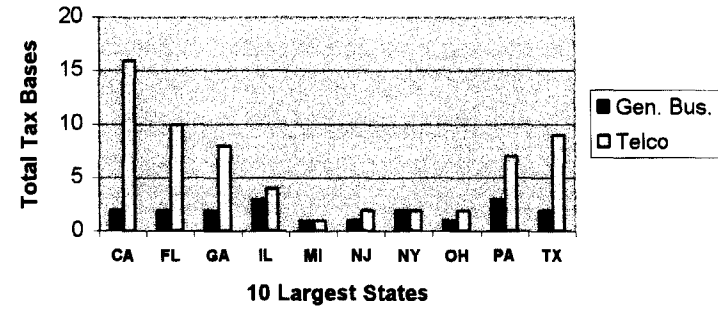
Comparison of # State Tax Bases in Ten Largest States



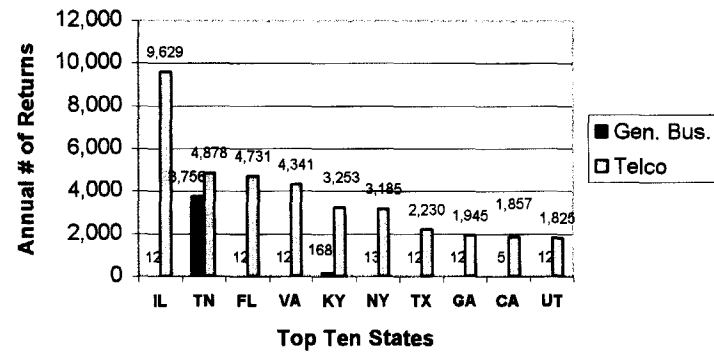
Comparison of Total # Tax Bases



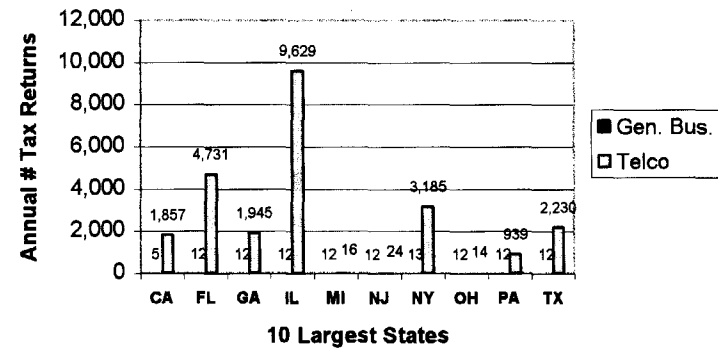
Comparison of Total # Tax Bases in Ten Largest States



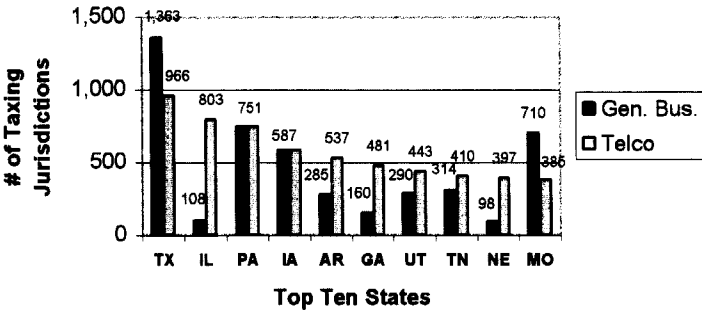
Comparison of Annual # of Returns



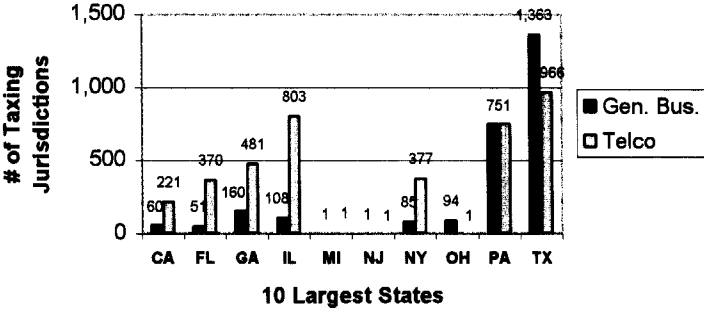
Comparison of Annual # of Returns in Ten Largest States



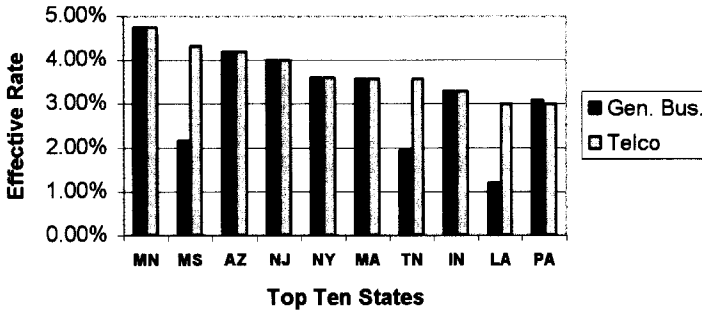
Comparison of Total # of Taxing Jurisdictions



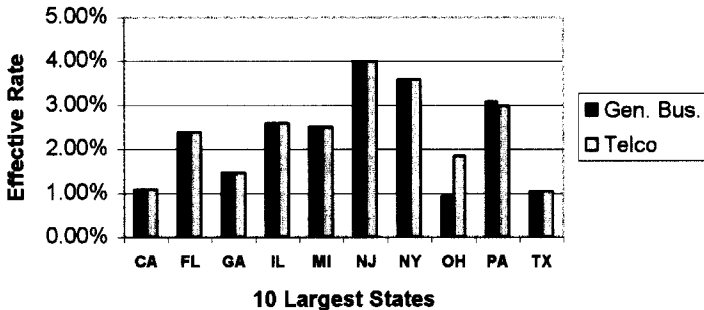
Comparison of # of Taxing Jurisdictions in Ten Largest States



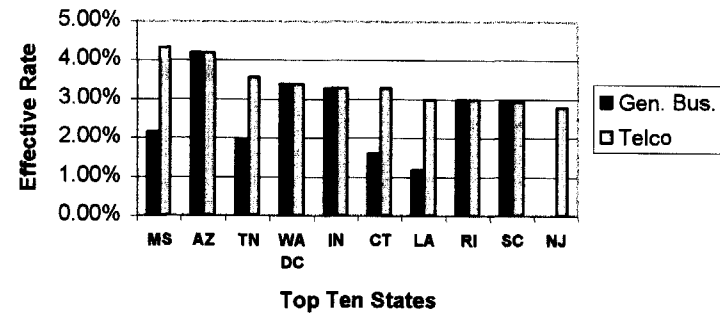
Comparison of Real Property Effective Tax Rate



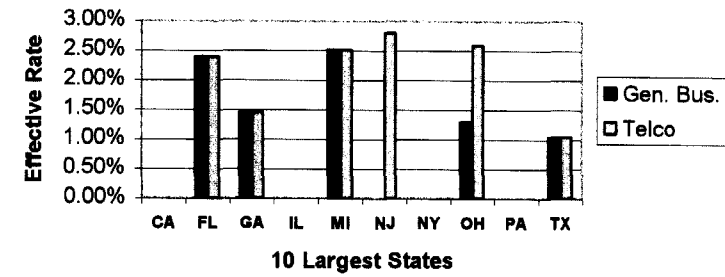
Comparison of Real Property Effective Tax Rate in Ten Largest States



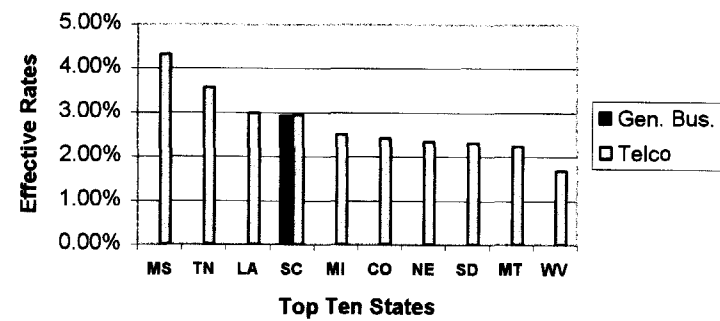
**Comparison of Tangible Personal
Property Effective Tax Rate**



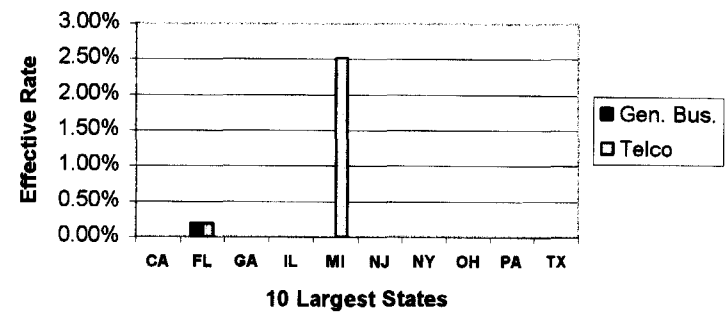
**Comparison of Tangible Personal
Property Effective Tax
Rate in Ten Largest States**



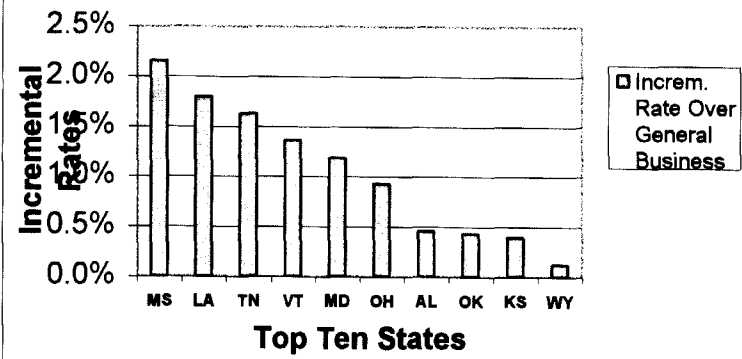
**Comparison of Effective Rate Applied to
Intang. Values**



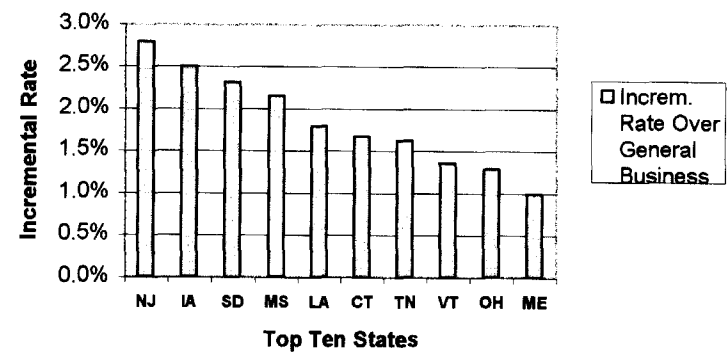
**Comparison of Intangible Value
Effective Tax Rate in Ten Largest States**



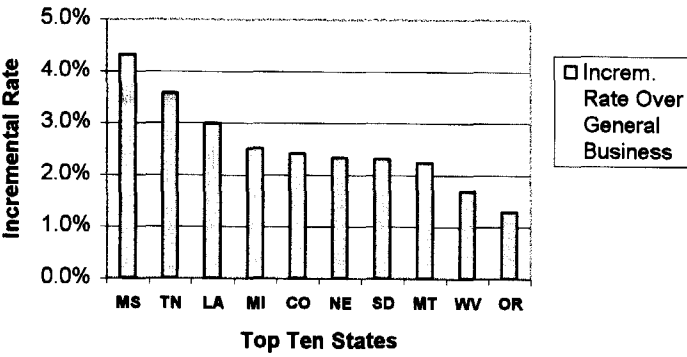
Incremental Rate Applied to Telco Real Property



Incremental Rate Applied to Telco Tangible Personal Property



**Incremental Rate Applied to Intangible
Values**



APPENDIX D

METHODOLOGY AND ASSUMPTIONS

METHODOLOGY

- **The COST Telecommunications Tax Task Force:**

The following companies participated in the Study: AirTouch Communications, ALLTEL Corporation, Ameritech Corporation, AT&T Corporation, Bell Atlantic Corporation, BellSouth Corporation, Citizens Utilities Company, CommNet Cellular Inc., Frontier Corporation, GTE Corporation, MCI WorldCom, Nextel Communications, Inc., SBC Communications, Inc., Sprint Corporation, U.S. West, VoiceStream Wireless, and Western Wireless Corporation. The data compiled is true and accurate to the best knowledge of the Task Force members that participated in the Study. COST cannot and does not attest that the data is absolutely precise. However, COST believes that the data reasonably reflects the existing state and local tax burden imposed on the telecommunications industry.

The participants in the Study attempted to identify and quantify each element that is part of the taxing process for sales of tangible personal products (general business) and certain taxable services (telecommunications). The participants also attempted to identify the applicable property tax rates applied to property. Income taxes are not included in the Study. For each state the Study contains a worksheet that shows:

- · A list of taxes that apply
- · Whether the tax applies to telecommunications and/or general business
- · Whether the tax is imposed on the business or customer
- · Applicable tax rates (or ranges of rates) or amounts imposed
- Consistency of rates (from local jurisdiction to local jurisdiction)
- Applicable tax base for each tax (in very general terms)
- Number of taxing jurisdictions applying each tax
- Number of returns required for each tax each year
- Whether tax bases are consistent for a tax (from local jurisdiction to local jurisdiction)
- Whether tax exemptions from the taxes are consistent
- Whether vendor's compensation is allowed for administering the tax
- Whether the business is centrally or locally assessed

- The methodologies used to determine the fair market values of property
- The effective tax rates applied to real, tangible personal, and intangible property

The results of the individual state studies were input into a worksheet that summarizes the data for both general business and telecommunications businesses. The state by state summary data shows:

- The number of state and local taxes (i.e., counts the different types of taxes)
- The state and local effective tax rates
- The number of state and local tax bases
- The number of returns the businesses must file each year
- The number of different taxing jurisdictions
- The effective property tax rates for real, tangible personal, and intangible property (taking into account assessment ratios and rates)

The state-by-state summary data is sorted and incorporated into several graphs. Two sets of graphs are included. The first set includes comparative data for the top ten highest states (*e.g.*, the ten states with the highest applicable parameter for telecommunications). The second set includes comparative data for the top ten most populous states (based on 1998 populations).

The summary data is also included in comparison charts that show the results of each parameter by state. The side-by-side comparisons highlight a few parameters where general business has a worse result than telecommunications. For example, general business may pay a tax or fee that telecommunications does not (due to another tax or fee applying in lieu of the tax or fee). In a couple of instances, the administrative burden on general business may be greater for a particular tax.

ASSUMPTIONS

For each state, the Study assumes that the telecommunications business is a statewide service provider and the general business has a store in each taxing jurisdiction. Thus, the Study attempts to identify each transactional tax or fee and the property tax applicable in each local jurisdiction in the state (as well as the state level taxes and fees).

Given the complexity of the taxation of telecommunications and in order to compare the data, various assumptions were made. Because state and local taxing jurisdictions frequently do not tax all types of telecommunications uniformly, if any segment of the telecommunications industry is taxed, the highest tax or rate imposed on such service is included in the summary. For example, if only local telecommunications service is taxed (not long distance or wireless service), the tax on local service is included in the data. Similarly, to the extent local jurisdictional tax rates vary, the highest rates are generally included. Because there are many taxes and fees that are applied on an access line basis (*e.g.*, many 911 fees), such flat amounts were converted to percentages based on average monthly residential bills (for 1998).

APPENDIX E

GLOSSARY OF TERMS

Assessed Value. With respect to a taxpayer's property, the measure of value to which the tax rate is applied to determine the tax liability. The assessed value is typically set by state statute at some fraction of the property's true fair market value depending on the type of property (e.g., real or personal) and/or the use of the property (e.g., residential or commercial).

Assessment Ratio. The ratio of assessed value to true fair market value. The term "assessment ratio" is often used to distinguish between the levels of assessed value for different types of property.

Business License Tax or Fee. A tax that is imposed for the privilege of doing business within the taxing jurisdiction. It is sometimes set as a flat fee depending on the type of business but may also be based on the company's gross receipts within the taxing jurisdiction, either pursuant to a graduated scale or expressed as a percentage.

Central Administration. This term refers to the administration of some or all local sales, excise, or gross receipts taxes by a single entity, such as the state department of revenue or other state agency responsible for the administration of the state sales tax.

Effective Property Tax Rate. For purposes of the Study, the "effective property tax rate" was determined by multiplying the average millage rate applicable to property in the state by the assessment ratio prescribed for the particular type of property. Alternatively, the rate could also be calculated by dividing the property tax by the fair market value of the property.

Excise Tax. For purposes of this Study, the term "excise tax" refers to a transactional tax imposed on the sale of one or more specific types of services, such as telecommunications services. It is similar to a sales tax in that it is typically imposed on the purchaser of the service and collected and remitted by the seller, but it is not generally applicable to the sale or lease of all tangible personal property and other services commonly subject to sales taxes.

Exemption. Generally a statutory provision providing that a tax shall not apply to certain property, services, persons or transactions that otherwise would be subject to the tax.

Exemption Certificate. Generally a representation by the purchaser, in a form prescribed by the respective taxing jurisdiction, that some or all purchases are exempt from tax, typically based either on the status of the purchaser or the use to which the purchaser intends to put the property or services being purchased, e.g., purchases for resale.

Franchise or Right-of-Way (ROW) Fee. A fee paid by carriers to municipalities and/or counties pursuant to contract and/or local ordinance, which is ostensibly based on the carrier's use of the public rights-of-way for placement of its facilities. Such fees are often expressed as a percentage of all or part of the carrier's revenues generated within the local jurisdiction, but may also be measured in other ways, such as by the linear miles of the carrier's cable within the jurisdiction.

Gross Receipts Tax. For purposes of this Study, the term "gross receipts tax" refers to a transactional tax that is measured by the gross receipts from one or more specific types of services, such as telecommunications services. It is similar to an excise tax, except that the legal obligation to pay the tax is imposed on the seller. Depending on the applicable law, the seller may or may not be permitted to pass the tax on to its purchasers as a line item on the bill. If not passed on, the seller must absorb the tax as an additional cost of doing business.

Intangibles or Intangible Property. Property other than tangible physical assets. Examples include the value of licenses to provide services, such as cellular and PCS licenses, goodwill and the excess of a company's fair market value as a going concern over its net book value. Intangible property may or may not be subject to the general property tax depending on state law. However, even when not subject to the general property tax, the value of intangibles is often reflected in the assessed value of a taxpayer's property because of the method used to determine value.

Property Tax. A tax measured by applying the rate, generally expressed in terms of millage, to the assessed value of taxable property.

Sales Tax. A tax that applies generally to the sale or lease, within the taxing jurisdiction, of tangible personal property and certain enumerated services, and which is typically collected by the vendor from the purchaser at the time of sale and remitted to the taxing jurisdiction on monthly returns.

Sourcing. In connection with a transactional tax, the determination of where the sale of the product or service takes place for purposes of applying the tax of the correct jurisdiction or jurisdictions.

Tax Base. The amount to which the tax rate is applied in order to determine a taxpayer's tax liability. In the case of a transactional tax, the tax base is essentially the sum of the revenues received by the taxpayer from taxable products or services during the reporting period. In the case of a property tax, the tax base is essentially the aggregate assessed value of the taxpayer's taxable property to which millage rates are applied.

Tax Matrix. A database listing all of the products and services provided by a company and indicating whether each such product or service is subject to tax. A particular product or service would not be subject to the tax if the tax does not apply to that item or if it is exempt from the tax. A company must maintain a unique tax matrix for each transactional tax that is imposed on a different tax base.

Tax Rate. In the case of a transactional tax, the percentage applied to the tax base in order to determine a taxpayer's tax liability. In the case of a property tax, the millage applied to the assessed value of a taxpayer's taxable property in order to determine the tax liability.

Taxing Jurisdiction. In the case of a transactional tax, any state, or any political subdivision of a state, that imposes a separate tax or franchise fee. In the case of a property tax, a state or political subdivision imposing a separate millage rate to the assessed value of taxable property.

Transactional Tax. A tax imposed upon or measured by the amounts paid for products and services, regardless of whether the legal obligation to pay the tax is placed upon the vendor or customer.

Unified Audit. This term refers to a situation in which a single entity, such as a state department of revenue, conducts a single audit of taxpayers for all state and local transactional taxes, as opposed to each individual taxing jurisdiction potentially conducting a separate audit of the taxpayer for its respective tax.

Unified Exemption Rules. This term refers to a situation in which each taxing jurisdiction in a state follows the same rules regarding which property, services, persons and transactions are exempt from tax, and in which a single exemption certificate is applicable to all transactional taxes and accepted by all taxing jurisdictions within a state.

Unified Filing. This term refers to a situation in which taxpayers subject to state transactional taxes and one or more local transactional taxes file a single return with respect to each reporting period for all such taxes, as opposed to filing multiple separate returns in each individual taxing jurisdiction.

Uniform Sourcing. This term refers to a single method of sourcing, applicable to all taxing jurisdictions, which would eliminate the possibility of a transaction being sourced, due to inconsistent sourcing rules in the different jurisdictions, to more than one jurisdiction at the same level (*e.g.*, more than one local jurisdiction).

Uniform Tax Bases. This term refers to a situation in which each taxing jurisdiction that imposes a given type of tax (*e.g.*, sales tax) imposes the tax on the same base (*i.e.*, the same products and/or services) and recognizes the same exemptions, although the tax rates may differ. The term could apply to all state and local taxes or to all local taxes within a state.

Uniform Tax Rates. This term refers to a situation in which each taxing jurisdiction that imposes a given type of tax (*e.g.*, sales tax) imposes the tax at the same rate, although the tax bases may differ. Although the term could apply to all state and local taxes or only to all local taxes, for purposes of this Study, the term "unified rate" is used to apply only to all local taxes within a state.

Unit Valuation. A method of valuing a taxpayer's property for property tax purposes that is generally used in connection with centrally assessed taxpayers. Under a unit valuation approach, instead of valuing individual items of taxable property, the value of the entire company as a going concern or "unit" is determined using various approaches, some of which have no relation to the value of individual items of property (such as capitalization of earnings, stock and debt, and/or using prices reflected in recent mergers and acquisitions of the same or other companies). The unit value so determined is then allocated among the states in which the company operates, and it is the allocated value that forms the basis of the company's assessment. In contrast, the property of most other taxpayers is assessed locally by county tax assessors, and the valuation of such property is based primarily on comparable sales (for real property) and cost (for personal property).

Use Tax. A tax that applies generally to the use or consumption, within the taxing jurisdiction, of tangible personal property purchased outside of the taxing jurisdiction by the purchaser. A use tax is generally complementary to, and imposed at the same rate as, the jurisdiction's sales tax.